

BEFORE THE
POSTAL RATE COMMISSION

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 1997

DOCKET NO. R97-1

**FIRST SET OF INTERROGATORIES AND REQUESTS FOR
PRODUCTION OF DOCUMENTS FROM UNITED PARCEL SERVICE
TO UNITED STATES POSTAL SERVICE WITNESS MUSGRAVE
(UPS/USPS-T8-1 through 5)**

(September 15, 1997)

Pursuant to the Commission's Rules of Practice, United Parcel Service hereby serves the following interrogatories and requests for production of documents directed to United States Postal Service witness Musgrave (UPS/USPS-T8-1 through 5).

Respectfully submitted,



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Of Counsel.

**INTERROGATORIES OF UNITED PARCEL SERVICE
TO UNITED STATES POSTAL SERVICE WITNESS MUSGRAVE**

UPS/USPS-T8-1. Please refer to your testimony, page 18, line 14, where you state that the own-price elasticity of demand for Priority Mail is estimated to be -0.77.

(a) Did you compute confidence levels or any other statistical measure of the uncertainty associated with this estimate?

(b) If the answer to (a) is yes, please provide such estimates. If the answer to (a) is no, please explain why no such measures were computed.

(c) If the answer to (a) is no, please provide an estimate of the range within which the own-price elasticity of demand for Priority Mail, in your opinion, likely falls.

UPS/USPS-T8-2. Please refer to your testimony, page 27, lines 17-21, where you provide estimates of volume for Priority Mail in the Test Year.

(a) Did you compute confidence levels or any other statistical measure of the uncertainty associated with these estimates?

(b) If the answer to (a) is yes, please provide such estimates. If the answer to (a) is no, please explain why no such measure was computed.

(c) If the answer to (a) is no, please provide an estimate of the range within which the estimate of Priority Mail volume in the Test Year, in your opinion, likely falls.

**INTERROGATORIES OF UNITED PARCEL SERVICE
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UPS/USPS-T8-3. Please refer to your testimony, page 35, lines 5 and 6, where you provide an estimate of the long-run own-price elasticity for Express Mail.

(a) Did you compute confidence levels or any other statistical measure of the uncertainty associated with this estimate?

(b) If the answer to (a) is yes, please provide such estimates. If the answer to (a) is no, please explain why no such measure was computed.

(c) If the answer to (a) is no, please provide an estimate of the range within which the estimate of Express Mail own-price elasticity, in your opinion, likely falls.

UPS/USPS-T8-4. Please refer to your testimony, page 44, where you provide estimates of Express Mail volumes in the Test Year.

(a) Did you compute confidence levels or any other statistical measure of the uncertainty associated with these estimates?

(b) If the answer to (a) is yes, please provide such estimates. If the answer to (a) is no, please explain why no such measure was computed?

(c) If the answer to (a) is no, please provide an estimate of the range within which the estimate of Express Mail volume, in your opinion, likely falls.

**INTERROGATORIES OF UNITED PARCEL SERVICE
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UPS/USPS-T8-5. In its Opinion and Recommended Decision in Postal Rate and Fee Changes, 1994, Docket No. R94-1, the Commission presented, at page II-39, a table comparing forecasted volume estimates of Postal Service witnesses Tolley and Musgrave with actual volumes. On page II 38, the Commission concluded that:

- The excellent overall volume forecasting performance masked large but offsetting forecast errors among individual mail categories
- Percentage errors for major categories of mail were within a range of plus or minus 3 %
- Forecasting errors for smaller categories of mail tended to fall within a larger range
- Forecasting accuracy has improved
- No bias was apparent

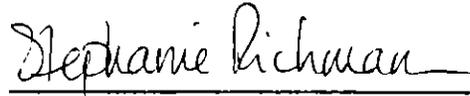
(a) Do you agree with the Postal Rate Commission's assessment summarized above? If not, please explain.

(b) With respect to the forecasts provided in the present proceeding, Docket No. R97-1, do you anticipate that the same conclusions might apply? Please explain your answer.

(c) Specifically, with respect to the forecasts provided in the present proceeding, do you anticipate that the differences between the forecasts and the actual volumes for the larger mail categories will fall within a range of plus or minus 3 % and the errors for the smaller categories will fall within a wider range? Please explain your answer.

CERTIFICATE OF SERVICE

I hereby certify that I have this date served the foregoing document in accordance with section 12 of the Commission's Rules of Practice.



Stephanie Richman

Dated: September 15, 1997
Philadelphia, Pa.